



UNITED STATES  
DEPARTMENT OF  
THE TREASURY

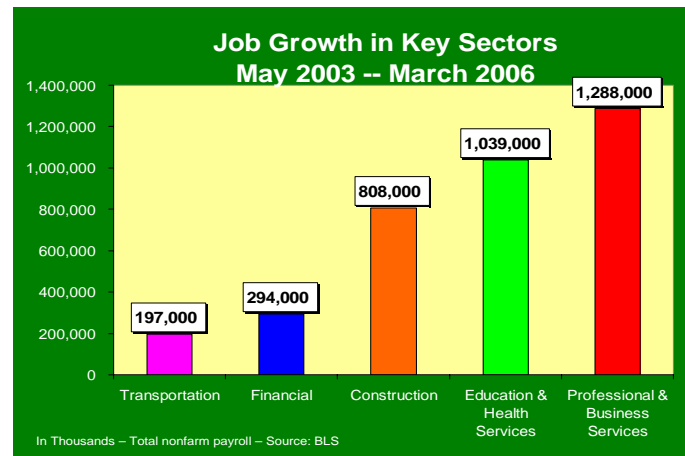


## TAX RELIEF – BUILDING U.S. ECONOMIC STRENGTH FOR THE FUTURE

SINCE THE PRESIDENT SIGNED TAX RELIEF LEGISLATION IN MAY 2003

### STEADY JOB GROWTH CONTINUES...

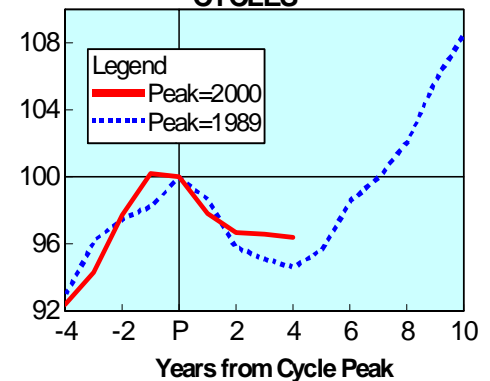
- 211,000 jobs created in March.
- More than 5.1 million total jobs – 2.1 million over the past 12 months.
- 4.7% unemployment rate – below the average rate for each of the past four decades.
- 31 consecutive months of uninterrupted job growth.
- College graduates are going into the strongest job market in five years.
- Employment has increased in 48 states throughout the last year.



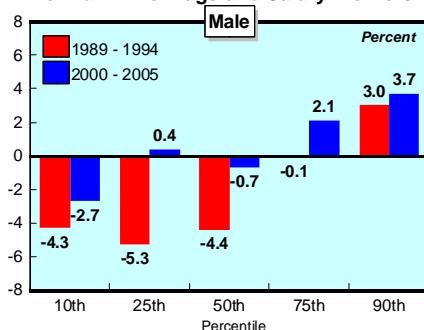
### AMERICANS HAVE MORE MONEY IN THEIR POCKETS...

- Real disposable incomes have risen 2.2% over the last year.
- Real median income comparisons of last two business cycles show better performance now than in the early 1990's.
- Real median family income was up 1.6% for 2004 versus 2001 – according to Federal Reserve Survey of Consumer Finance.
- Real per-capita disposable income is 8.3% above the previous business cycle peak (March 2001).
- Household wealth reached \$52.1 trillion in the fourth quarter of 2005 – *an all-time high*.

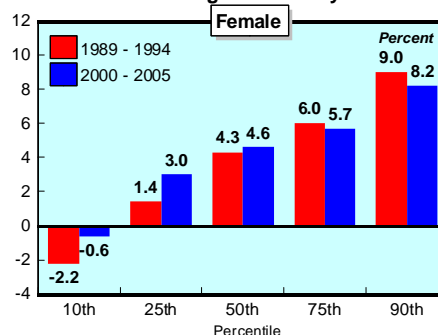
### REAL MEDIAN HOUSEHOLD INCOME IN THE TWO LATEST BUSINESS CYCLES



Change in Real Usual Weekly Earnings  
of Full-Time Wage and Salary Workers

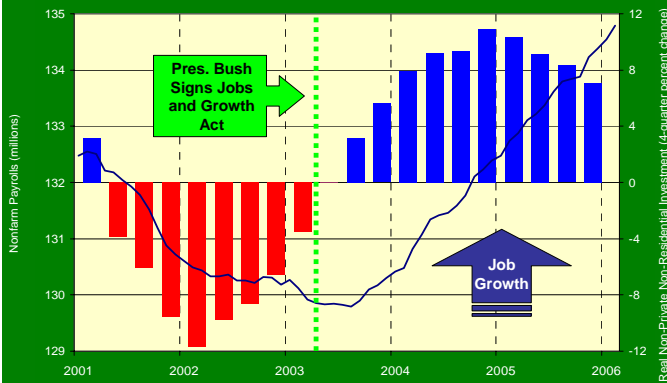


Change in Real Usual Weekly Earnings  
of Full-Time Wage and Salary Workers

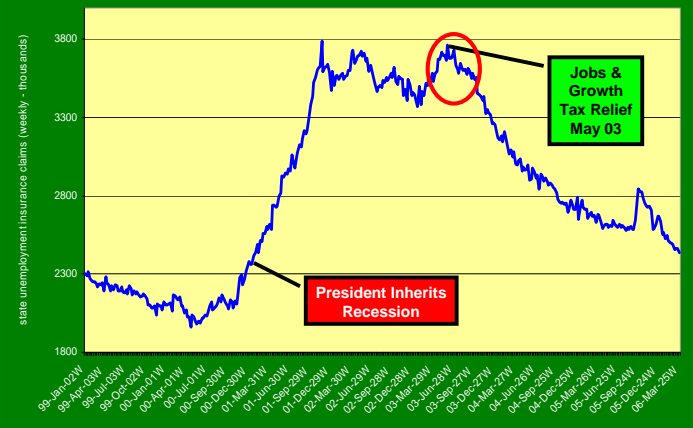


# TAX RELIEF = BUSINESSES INVESTING = JOB GROWTH = HIGHER WAGES = TAX REVENUES

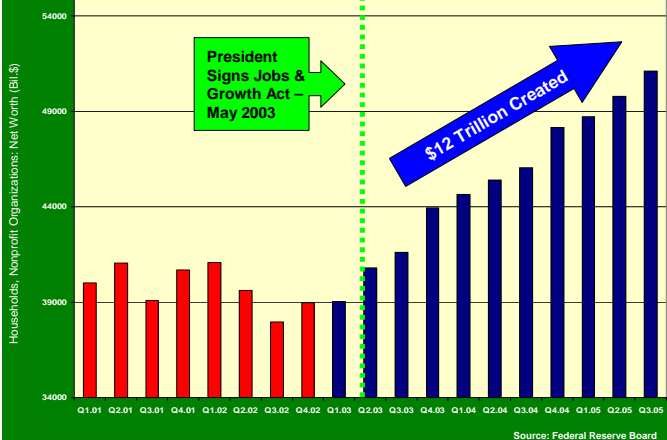
## Business Investment Spurring Job Growth



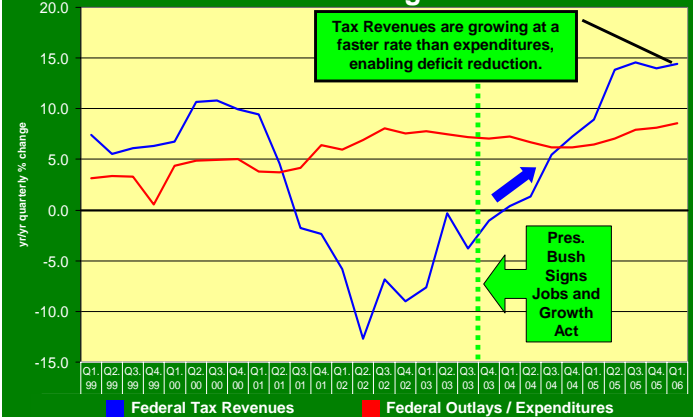
## Tax Relief Reducing Unemployment



## Household Wealth on the Rise...



## Tax Relief Increasing Tax Revenue



## BY THE NUMBERS...

### MILLIONS GAIN THIS YEAR FROM TAX RELIEF

- **111 million:** Number of taxpayers that will see their taxes decline by an average of \$1,877.
- **5 million:** Total individuals and families that will see their income tax liabilities completely eliminated.
- **44 million:** Families with children that will receive an average tax cut of \$2,493.
- **14 million:** Elderly individuals that will receive an average of \$2,043.
- **25 million:** Small business owners that will save an average of \$3,641.

## AMERICAN FAMILIES ARE BENEFITING FROM TAX RELIEF

### MAIN STREET SCENARIOS:

- Mr. & Mrs. Smith both work, have **one child and a combined income of \$40,000**. As a result of the larger standard deduction, new 10% bracket, and increased child tax credit provided by the President's tax relief bills, the Smith's 2005 **income tax has been reduced by 53%**.
- Mr. & Mrs. Jones also both work, have **two children and a combined income of \$60,000**. As a result of the new 10% bracket and increased child tax credit provided by the President's tax relief bills, the Jones's 2005 **income tax has been reduced by 39%**.
- The Rogers family has **two children and a single working parent who earns \$30,000**. As a result of the new 10% bracket, increased child tax credit, and expanded additional tax credit provided by the President's tax relief bills, the Rogers's 2005 **income tax has been reduced by 1,064%**.

### TODAY'S TAX CODE IS MORE PROGRESSIVE...

- A small group of higher-income taxpayers pay most of the individual income taxes each year. In 2003 (latest available data):
  - **Top 5% of taxpayers paid more than one-half (54.4%)** of all individual income taxes, but reported roughly one-third (31.2%) of income.
  - **Top 1% paid 34.3%** of all individual incomes taxes and has paid more than 30% since 1995. Since 1990 this group's tax share has grown *faster* than their income share.
  - **Top 50% pay virtually all individual income taxes** -- since 1990, taxpayers in this group have paid over 90% of all individual income taxes.
- **The President's tax cuts have shifted a larger share of the individual income taxes paid to higher income taxpayers.**
- **In 2006**, with nearly all of the tax cut provisions fully in effect (e.g., lower tax rates, the \$1,000 child credit, marriage penalty relief), **the projected tax share for lower-income taxpayers will fall, while the tax share for higher-income taxpayers will rise.**
- **The average tax rate for the bottom 50% of taxpayers falls by 27% in 2006** as compared to a 14% decline for taxpayers in the top 1%.

#### Projected Share of Individual Income Taxes and Income in 2006

Share of Individual Income Taxes<sup>1</sup> [Share of Adjusted Gross Income]

	Top 1%	Top 5%	Top 10%	Top 25%	Top 50%	Bottom 50%
<b>With</b>	32.4	53.3	65.7	84.1	96.6	3.4
Tax Cuts	[17.2]	[31.6]	[42.9]	[65.4]	[86.6]	[13.4]
<b>Without</b>	32.3	51.6	63.6	82.6	96.0	4.0
Tax Cuts	[17.2]	[31.6]	[42.9]	[65.4]	[86.6]	[13.4]

Source: U.S. Department of Treasury, Office of Tax Analysis.

### CONGRESS MUST ACT & PASS EXPANDED TAX RELIEF... AMERICANS CANNOT AFFORD BEING OVERTAXED AGAIN

- **In 2008...** the **small business expensing limit will shrink from \$100,000 to just \$25,000**, increasing the cost of capital investments for America's small businesses.
- **In 2009...** the **top tax rate on dividends will increase from 15% to 35%**, while the **tax on capital gains will climb from 15% to 20%**, raising the tax burden on retirees and families investing for their future; and
- **In 2011...** the tax rate relief, the new 10% tax bracket, death tax repeal, marriage penalty relief, and all the remaining tax relief enacted over the past few years will sunset, resulting in **tax increases for every individual American man or woman who pays income taxes.**

**IF CONGRESS FAILS TO EXTEND THE PRESIDENT'S TAX CUTS, THE COST TO AMERICAN TAXPAYERS WILL BE \$2.39 TRILLION OVER THE NEXT 10 YEARS (2007-2016).**

**COMBINED BENEFITS OF THE  
ECONOMIC GROWTH AND TAX RELIEF OF 2001 (EGTR) &  
JOBS AND GROWTH TAX RELIEF OF 2003 (JGTR)**

**STATE-BY-STATE DISTRIBUTION**

**NUMBER OF RETURNS FILED IN 2005 THAT WOULD HAVE BENEFITED FROM THE ACTS  
(in thousands)**

	Entire EGTR and JGTR	Specific Provisions of the Acts				Reduction in Rates on Capital Gains and Dividends	Addendum: Returns with Business Income Benefiting from Acts
		New 10% Bracket	Reduction in Top Rates	Reduction of Marriage Penalty	Increase in Child Tax Credit		
United States	107,387	94,707	26,389	31,972	27,166	23,068	24,956
Alabama	1,503	1,288	280	454	443	281	324
Alaska	271	246	73	80	62	60	71
Arizona	1,961	1,727	453	594	514	407	420
Arkansas	883	759	140	281	254	161	211
California	12,658	11,079	3,554	3,630	3,050	2,893	3,265
Colorado	1,747	1,564	478	551	421	400	497
Connecticut	1,394	1,239	465	425	318	358	336
Delaware	331	297	90	97	83	73	63
Florida	6,553	5,717	1,442	1,815	1,636	1,337	1,541
Georgia	3,042	2,638	709	875	848	621	732
Hawaii	497	448	120	145	117	105	126
Idaho	474	418	81	168	130	93	138
Illinois	4,681	4,143	1,270	1,391	1,189	1,047	1,041
Indiana	2,295	2,057	494	740	612	471	484
Iowa	1,084	979	212	368	283	221	293
Kansas	986	879	207	332	260	206	253
Kentucky	1,387	1,221	257	453	371	272	310
Louisiana	1,441	1,229	261	396	424	259	322
Maine	500	449	95	158	124	100	135
Maryland	2,236	2,000	731	635	542	537	496
Massachusetts	2,564	2,299	821	751	553	633	632
Michigan	3,662	3,271	930	1,163	936	796	754
Minnesota	1,993	1,805	530	648	482	456	500
Montana	336	297	54	107	84	64	108
Mississippi	893	754	136	244	278	148	181
Missouri	2,066	1,834	429	651	541	418	460
North Carolina	3,034	2,645	623	927	846	601	711
North Dakota	242	219	41	79	60	48	76
Nebraska	650	584	127	214	168	132	173
Nevada	925	829	225	257	231	194	185
New Hampshire	536	486	147	174	127	125	130
New Jersey	3,416	3,004	1,138	1,015	811	858	749
New Mexico	642	559	124	183	171	121	145
New York	6,949	6,101	1,975	1,804	1,668	1,558	1,605
Ohio	4,427	3,991	1,047	1,214	1,032	902	883
Oklahoma	1,155	1,005	199	378	319	220	303
Oregon	1,299	1,157	292	414	325	274	336
Pennsylvania	4,676	4,185	1,106	1,443	1,160	1,002	943
Rhode Island	413	372	110	119	96	91	95
South Carolina	1,464	1,275	278	424	413	275	313
South Dakota	284	255	46	92	73	55	89
Tennessee	2,075	1,814	393	636	575	402	471
Texas	7,480	6,438	1,651	2,258	2,049	1,517	1,787
Utah	805	716	152	289	223	165	212
Vermont	247	224	53	76	58	52	72
Virginia	2,924	2,595	849	908	705	690	625
Washington	2,385	2,138	637	762	587	539	551
Wisconsin	2,144	1,946	496	697	536	459	465
West Virginia	582	510	94	199	156	110	111
Wyoming	195	176	42	65	50	41	56
DC	237	210	84	31	44	56	49
Other Areas	763	637	149	157	127	165	130